Weekly Economic Review

Growth in retail sales accelerates

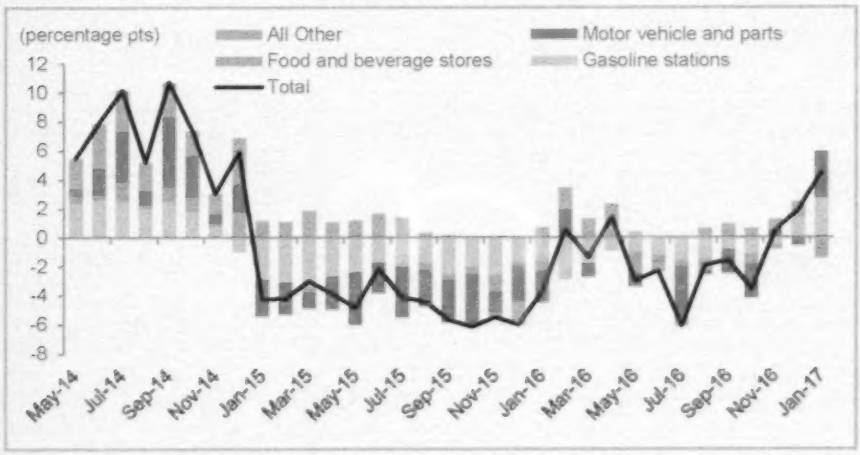
Retail Sales

Higher gas prices, auto sales lift retail trade

Higher gasoline prices and a recovery in motor vehicle sales helped Alberta post its strongest monthly growth in retail sales in three years. Retail sales grew by 2.4% month-over-month (m/m) in January. On a year-over-year (y/y) basis, retail sales were up 4.8% as higher sales in motor vehicles and parts dealers (+12.6%) and gasoline stations (+21.9%) offset weakness in building material and garden supply centres (-10.6%) and food and beverage stores (-6.5%) (Chart 1). While retail sales are now 5.9% higher than the low point reached in July, they remain below pre-recession levels.

Chart 1: Higher gasoline and vehicle sales fuel growth in retail sales

Contribution to year-over-year growth in retail sales



Source: Statistics Canada

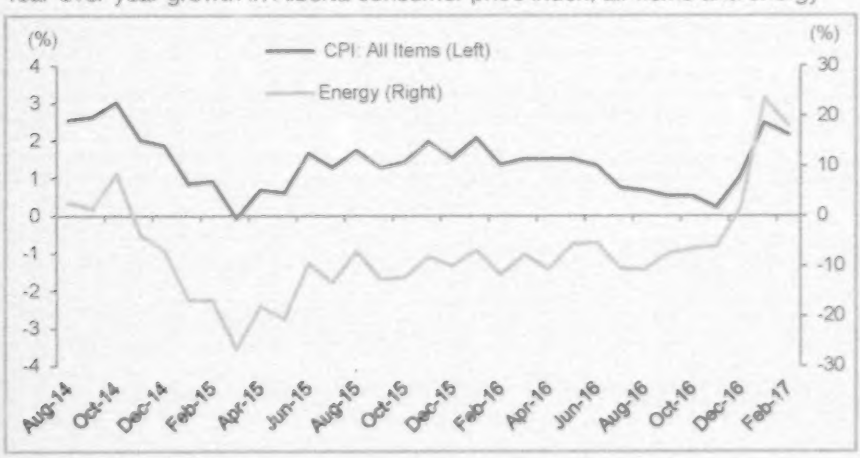
Wholesale trade

Wholesale trade improving

Wholesale trade improved for the fourth consecutive month. It rose 2% m/m to $6.5 billion in January, led by higher sales of motor vehicle and parts and building materials and supplies. Compared with a year ago, wholesale trade was roughly unchanged (+0.2% y/y) following consistent declines for nearly two years. Strong gains in motor vehicles and parts as well as food, beverage and tobacco offset ongoing weakness in farm products along with building materials and supplies. Meanwhile, machinery, equipment and supplies continued to edge higher following declines through most of the downturn.

Chart 2: Inflation eases in February due to pullback in energy prices

Year-over-year growth in Alberta consumer price index, all-items and energy



Source: Statistics Canada

Consumer Price Index

Inflation slows in February

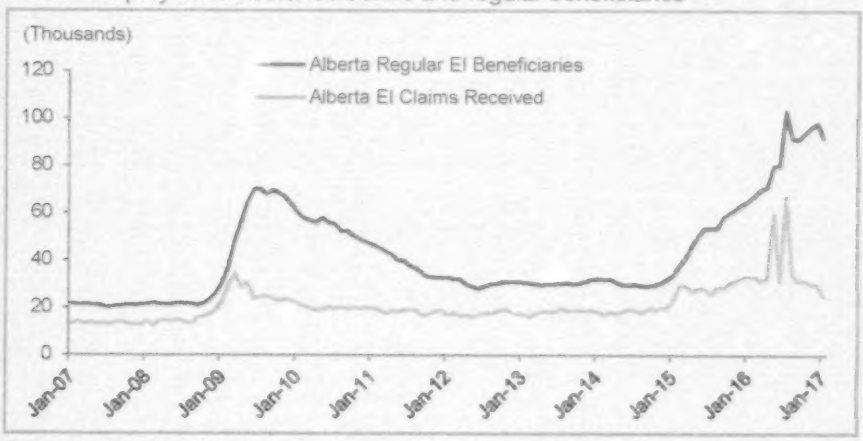
After hitting a recent high in January, Alberta's inflation rate eased in February. The consumer price index grew by 2.2% y/y, down from an increase of 2.5% in the previous month. Inflation slowed as energy prices pulled back in February, with prices for gasoline (-9.8% m/m), natural gas (-10.6%) and electricity (-3.1%) falling. Despite the monthly declines, prices for gasoline and natural gas remain sharply higher than last year's levels (Chart 2). Excluding energy, inflation remains muted at 1.3%, as lower prices for food (-1.5% y/y), rent (-1.8% y/y) and homeowners replacement cost (-1.3% y/y) offset rising prices for purchase of passenger and recreation vehicles.

Employment Insurance

EI claims and beneficiaries coming down

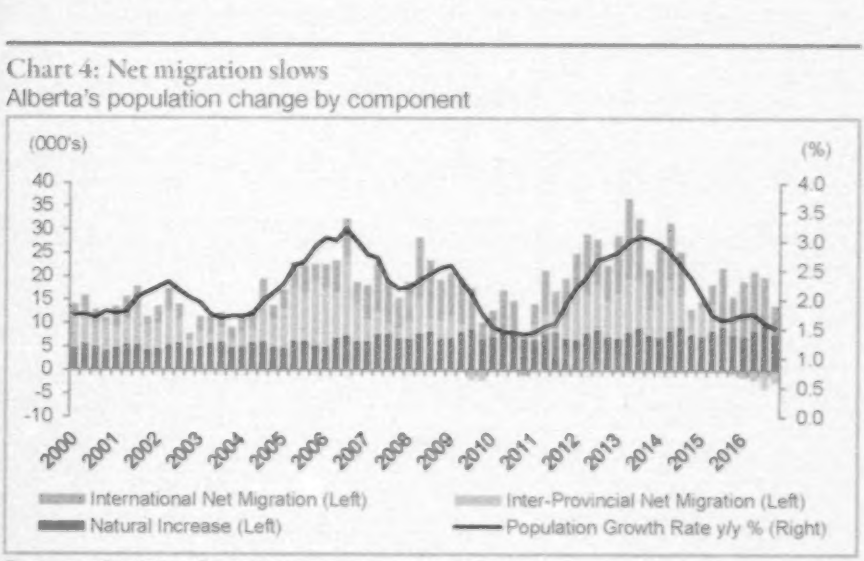
Employment Insurance (EI) claims and regular beneficiaries continue to moderate in Alberta. In January, the number of EI claims fell for the third straight month to 24,980, the lowest number of monthly claims received since January 2015. Compared with last year, EI claims fell 24% due to a sharp decline in initial claims (-28%), although they still remain above the historical average (Chart 3). Meanwhile, the number of EI beneficiaries fell by 6.2% m/m to 91,730. This was the first notable decrease in EI beneficiaries since the downturn began, with the exception of August 2016 when the implementation of the EI extension program in July resulted in an offsetting decrease in EI beneficiaries in the following month.

Chart 3: EI claims and beneficiaries continue to ease but remain elevated
Alberta Employment Insurance claims and regular beneficiaries



Source: Statistics Canada

Chart 4: Net migration slows
Alberta's population change by component



Source: Statistics Canada

New Housing Investment

Housing investment hits 5-year low

New housing investment dipped to its lowest level in five years. Investment in new housing construction fell for the fourth consecutive month (-2.5% m/m) to $560 million in January. On a year-over-year basis, new housing investment declined 19% and has fallen consistently since July 2015. New row and apartment dwellings continue to be the main sources of weakness. Investment in new single dwellings also continues to fall albeit at a slower pace while double dwellings rose for the first time since June 2015. In contrast, housing investment across Canada grew by 8.7% y/y led by growth in BC and Ontario.

Population

Population continues to grow

Alberta's population continues to expand despite the downturn. As of January 1, 2017, Alberta's population was estimated at 4,280,127, up 1.5% from a year earlier. While this was the slowest calendar year growth since 2010, it remained above the national average of 1.3%. Net interprovincial migration, which was negative for the fifth consecutive quarter (-2,573), weighed on Alberta's growth (Chart 4). Natural increase (7,643) and net international migration (6,128) drove the gains. Alberta continues to have the highest natural growth rate among provinces (0.18%).

Contact

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.